Gulf

ASX Announcement
20 May 2019

Gulf on Track for First DSO Sales

- **DSO Licence secured to export 103,162 tonnes of high-grade manganese ore per year from Indonesia**
- **Manganese pricing currently very favourable – GMG to generate significant monthly cash flow from exports**
- **Supply agreement secured with first mine in Sumbawa – more supply agreements being established now with over 18 'clean & clear' manganese mines**
- **Gulf is receiving strong demand for Indonesia high grade / low impurity ore with further offtake agreements now being finalised**

Gulf Manganese Corporation Limited (**ASX: GMC**) ("**Gulf**" or "**the Company**") is pleased to report on the progress being made by its Indonesian subsidiary PT Gulf Mangan Grup ("GMG") with respect to the commencement of its Direct Shipping Ore ("DSO") operations in Indonesia.

On 15 May 2019, GMG received formal receipt of its DSO Licence from Indonesia's Ministry of Trade which allows GMG to export up to 103,162 tonnes of high-grade manganese ore per year. GMG's export licence is reviewed annually in line with its Annual Work Plan & Budget ("RKAB") as submitted to the Ministry of Energy and Mineral Resources ("MEMR").

The licence allows Gulf to export screened and washed ore that must average over 49% Manganese. Manganese ore is priced on a Dry Metric Tonne Unit ("DMTU") basis. For example, todays Metal Bulletin index[1] for shipments to China for 44% Mn lump ore is USD$6.18 /dmtu CIF, Tianjin China. Ore averaging 44% Mn would therefore be priced at 44 x 6.18 or US$ 272 per dmt.

Manganese ore pricing is principally based on manganese content of the ores with premiums / penalties applied for impurity levels and form of shipment. Ore exported by Gulf is of significantly higher grade (over 49%) than the quoted grade (44%) and should therefore expect a premium over the quoted price.

Gulf confirms that it has locked in its first supply agreement from an approved, 'clean and clear' manganese ore mine in Sumbawa for the supply of high-grade ore to GMG. Further agreements are being negotiated with over 18 Ore Supply MoU's in place within West Timor.

[1] Metal Bulletin index (20 May 2019) for shipments to China for 44% Mn lump ore is USD$6.18 /dmtu CIF, Tianjin China. There are two main manganese ore price indexes created by Metal Bulletin1, 44% Mn ore (CIF Tianjin) representing oxide ores mined in countries such as Australia, Brazil and Gabon and 37% Mn ore (FOB Port Elizabeth) representing semi carbonate ore mined in South Africa. Todays 44% is USD$6.18 /dmtu CIF, Tianjin China and 37% Mn ore is US$5.05 / dmtu FOB port Elizabeth.

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Mining Operations will commence next month, and based on current pricing, GMG anticipates generating strong revenue and margins. GMG expects monthly exports to commence at 1,000 tonnes per month and ramp up to 10,000 tonnes per month within six months. Gulf anticipates signing more offtake agreements shortly.

Management Commentary

Gulf Managing Director Hamish Bohannan commented: "Since receiving approvals for DSO exports, Gulf has wasted no time ramping up operations, so we can generate first sales. In anticipation of securing the DSO licence, we have already established a robust supply chain.

"With favourable pricing, multiple sources of high-grade ore supply from "clean and clear" mines, pending offtake agreements and a re-invigorated supply chain, we are excited about generating early cash flow to help fund our smelting operations at Kupang."

Photograph of one of the many High Grade Manganese Ore NTT Stockpiles

Tenau Port showing container facility that be used for the first Manganese Ore Concentrate Shipments.

-ENDS-

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